

National Budget Conference

09 September 2021 | Kololo Independence Grounds| Kampala

Statement by the Local Development Partners Group

[LDPG]

H.E The President of Republic Uganda

Right Honorable Prime Minister

Honorable Minister of Finance, Planning and Economic Development

Honorable Ministers

Honorable Members of Parliament

Representatives of Civil Society Organizations and the Private Sector

Members of the Diplomatic Community

Distinguished Participants

Ladies and Gentlemen,

On behalf of the Local Development Partners Group, I wish to thank you, Honorable Minister of Finance, Planning and Economic Development, for inviting us today to the *National Budget Conference* for Fiscal Year 2022/2023. This is an important event, which will set the tone for key policy and spending discussions and decisions, over the next year. As Development Partners, we would like to use this opportunity to strengthen our partnership and coordination efforts in sustaining and accelerating development outcomes in Uganda.

As we all know, and as mentioned in the budget strategy paper, the impact of COVID-19 on the economy has been significant and has worsened social outcomes and undermined progress made in poverty reduction in recent years. We appreciate the fact that responding to the covid-19 pandemic is costly, and mobilizing additional revenues is challenging. Therefore, it is important that the FY22/23 budget continues to focus on maintaining debt sustainability, increasing domestic revenue collections, limiting domestic borrowing, and maximizing the use of external concessional financing. Debt service rescheduling through Debt Service Suspension Initiative (DSSI) would also offer additional fiscal space.

As noted in the budget strategy paper, government will continue to support several Covid-19 response measures (such as utilities support, tax deferrals and exemptions, labour intensive public works, support to SMEs, Emyooga, etc) that were developed at the beginning of the pandemic. In view of the recent developments, including the second wave, before rolling some of these over an assessment of what the impact of these measures so

far, would help in guiding any adjustments required to ensure that the desired outcomes are achieved.

In terms of Budget prioritization, we appreciate the improvements in the 2021/22 budget, especially the increase in social spending that is planned. In view of this emphasis, and over the medium term, we would like to emphasize a few key points:

1. We encourage the government to prioritize **spending** to meet the needs and challenges of managing likely additional waves of Covid-19. There is need to underscore key priorities such as increased health spending for Covid-19 vaccines and investing in sectors (like agri-business, light-scale manufacturing, tourism, transport and logistics, ICT, and construction) that can have negative ripple effects on the economy.
2. Invest more extensively in **human capital** which is necessary to ensure delivery of quality essential services; promote equal access for all to education and health; and capitalize on Uganda's demographic growth. Uganda's large youthful population will require adequate support to be important contributors to Uganda's future. Further increases in **public expenditure in the health and education sectors will be essential**, and we would welcome a positive trend in this regard. We also recognize that school re-opening is high on the agenda of the government of Uganda and note that this is linked to the vaccine roll out plan and implementation of other safety measures, all of which carry a cost implication and will need to be sufficiently catered for in the upcoming and future budgets.
3. **Social protection** is also an important mechanism for the COVID recovery - addressing rising poverty, inequality, and vulnerability, as well as fostering longer-term economic growth. Given the impact of COVID-19 on people's livelihoods, we recommend expansion of the scope of **social protection interventions** to support more vulnerable households in rural and urban areas and improving targeting through establishing a social registry that can be easily used to identify the vulnerable.
4. **Investing more in the agricultural sector**, also has immense potential to reduce poverty and drive industrialization. Therefore, investments that focus on increasing productivity, addressing vulnerability to climate change and other shocks, and enabling growth along the full agricultural value-chain are key. In view of the governments focus on sustainability we would like to urge Government to reconsider provision of free seeds, planting materials and improved breeding stock to ensure the effectiveness and options for scaling up these programs.
5. **In terms of Road maintenance**, we commend the provision of an additional Shs 200 billion towards road maintenance, however, this is still insufficient given the backlog. More adequate resources will ensure that most, of the critical road network

is attended to; and avoid the potential of Uganda losing about 10% per annum of its road assets due to poor road maintenance. We therefore recommend an increased allocation of the roads budget towards maintenance in the medium term.

6. **On Funding to Local Governments**, we appreciate government commitment towards improving funding (especially health and education) for local governments. However, more needs to be done to enable them to invest in and run basic services. We encourage government to increase funding for other LGs services such as water, agriculture, and rural roads. As well as supporting LGs to raise their own revenues through the LG Revenue Mobilization Strategy. Furthermore, the on-going discussions around the Integrated National Financing Framework (INFF) provide a platform to engage further on building self-reliant LGs.
7. **In relation to Revenue mobilization**, the budget strategy could more clearly identify links to the Domestic Revenue Mobilization Strategy (DRMS), both with respect to implementation and sources of financing. However, the need to raise more revenue, should also be balanced with attention to the distributional impacts of taxes on households, business, and economy.

We are concerned that the credibility of the budget has been undermined by supplementary budgets and continued growth of arrears. We therefore acknowledge the Auditor General's recommendation to progressively expand financing to the Contingency Fund and use it to insulate vital programs from budget cuts. Additional steps should also be taken to ensure that MDAs and LGs effectively budget for known expenditures to minimize supplementary requests during budget execution.

We are pleased to note that Government has developed a Domestic Arrears Strategy, which should help to deal with the problem of arrears going forward. Introducing effective commitment controls and related enforcement actions are key measures for minimizing the future growth of arrears.

Honorable Minister let me conclude by once again thanking you, on behalf of the Local Development Partners, for inviting us to participate in this important conference. We wish you successful deliberations in designing a Budget which both addresses the impacts on Covid-19, and the NDP 3s objectives of job creation and prosperity. We look forward to further discussions on how we, the development partners, can best engage to support sustainable and inclusive growth in Uganda.

Thank you!